

Property & Construction

Sunway-IJM VTO Falls Through

Highlights

- Sunway's VTO bid for IJM has officially lapsed with Sunway securing only 33.4% of IJM, failing to secure a majority stake in IJM.
- We revise our target price for IJM downwards to RM2.60, imputing a wider SOTP discount and trimming earnings to reflect rising raw material prices.
- Meanwhile, we upgrade Sunway from HOLD to BUY on recent share price weakness, as the deal overhang appears largely priced in.
- Maintain OVERWEIGHT on the sector.

Analysis

- **Sunway VTO bid falls through.** Sunway Bhd's (Sunway) voluntary takeover (VTO) offer for IJM Corporation (IJM) has officially closed with an acceptance rate of 33.4%. Given Sunway was unable to secure the required 50%+1 share stake, the conditional offer has been voided with any transacted IJM shares to be returned to their original owners.
- **Outcome within expectations...** While we had initially advocated for IJM shareholders to accept the offer, uncertainties and concerns stemming from the Malaysian Anti-Corruption Commission (MACC) investigation, release of the independent advisor report and subsequent rejection by key government-linked investment company (GLIC) shareholders had clouded the eventual acceptance rates. While we understand the MACC investigation was largely isolated to individuals and had minimal bearing on the decision by GLICs, we still view this outcome as unsurprising given support had started to wane following the disruptions.
- **...but IJM's share price may react negatively.** We believe share price could react negatively in the short term immediately following the announcement. For IJM in particular, while we maintain our BUY call on the name, we remain wary of a potential sell-down given recent issues with earnings delivery. Based on our estimates, immediate downside could reach 13% assuming IJM's trading valuations drop to the lows it saw in Dec 25.

OVERWEIGHT (Maintained)

Analyst(s)

Jack Lai

+603 2147 1983

jacklai@uobkayhian.com

Ng Jo Yee

+603 2147 1984

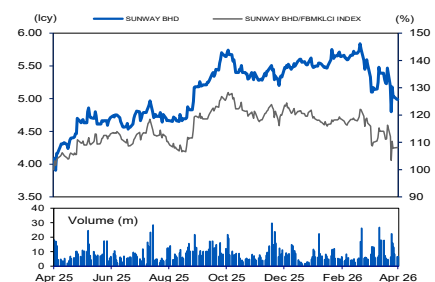
joyee@uobkayhian.com

Key Recommendations

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
IJM Corporation	IJM MK	BUY	2.36	2.60
Sunway Bhd	SWB MK	BUY	4.99	5.62

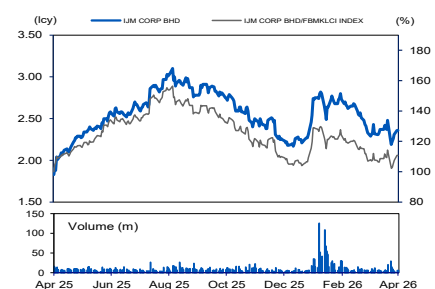
Source: Bloomberg, UOB Kay Hian

Sunway Price Chart



Source: Bloomberg

IJM Price Chart



Source: Bloomberg

Peer Comparison

Company	Ticker	Rec	Price 06 Apr 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025A (x)	PE 2026E (x)	PE 2027E (x)	Yield 2026E (%)	ROE 2026E (%)	Market Cap. (RMm)	PB 2026E (x)
Construction													
Binastra Corporation	BNASTRA MK	BUY	1.95	2.68	37.4	Jan-26	21.8	16.8	14.0	4.1	53.6	2,128.2	7.2
Gamuda	GAM MK	BUY	3.78	5.25	38.9	Jul-25	29.7	27.8	22.8	3.1	10.2	22,128.9	1.7
IJM Corporation	IJM MK	BUY	2.36	2.60	10.2	Mar-25	17.3	24.5	21.0	2.7	3.3	8,274.6	0.8
Kerjaya Prospek Group	KPG MK	BUY	2.14	3.25	51.9	Dec-25	17.2	15.6	14.2	5.8	21.5	2,690.6	2.0
Malaysian Resources Corp	MRC MK	HOLD	0.30	0.34	13.3	Dec-25	30.9	28.3	21.3	278.8	5.4	1,341.0	0.4
Sunway Construction	SCGB MK	BUY	6.27	7.40	18.0	Dec-25	22.4	22.0	21.3	5.4	50.6	8,288.9	7.5
WCT Holdings	WCTHG MK	HOLD	0.375	0.58	54.7	Dec-25	14.1	13.2	13.8	0.0	25.2	585.0	0.1
Property													
Eco World Development	ECW MK	BUY	1.95	2.70	38.5	Oct-25	15.0	11.6	10.3	4.2	8.3	6,282.0	1.0
IOI Properties Group	IOIPG MK	BUY	3.36	4.00	19.0	Jun-25	47.8	26.8	16.3	2.4	2.8	18,500.6	0.7
Lagenda Properties	LAGENDA MK	BUY	1.39	1.88	35.5	Dec-25	8.8	5.7	4.5	5.9	18.0	1,157.1	1.0
Mah Sing Group	MSGB MK	BUY	1.00	1.42	42.3	Dec-25	10.3	8.8	7.9	5.5	6.6	2,560.1	0.6
Matrix Concepts	MCH MK	BUY	1.29	1.70	31.8	Mar-26	9.4	9.0	8.0	5.6	11.0	2,421.4	1.0
SP Setia	SPSB MK	BUY	0.86	1.22	43.2	Dec-25	7.0	10.3	9.7	2.3	3.2	4,277.9	0.3
Sunway Bhd	SWB MK	BUY	4.99	5.62	12.6	Dec-25	29.2	26.6	22.8	1.5	7.5	33,734.5	2.0

Source: UOB Kay Hian

- Sunway: Deal uncertainty largely priced in.** Sunway's share price has retraced around 22% from RM5.60-5.70 levels following the conditional offer announcement on 12 Jan 26, partly reflecting post-listing stake dilution in Sunway Healthcare Holdings (from 84.0% to 69.5%) and lingering uncertainty over the outcome of this conditional IJM offer, amid recent controversy surrounding the deal.
- IJM: Monetisation timelines now key.** Now that the acquisition has fallen through, IJM's monetisation efforts have returned to the spotlight as the key rerating catalyst for the group. Recall that IJM had previously provided a potential timeline of two years to successfully capitalise its assets, including listing the construction unit as a standalone, pure-play entity. We continue to view any progress on the monetisation of key assets (eg infrastructure, construction) as a significant inflection point for IJM, although we remain wary given execution risk in listing these entities at a premium to upcycle valuations as well as the accelerated timelines needed.

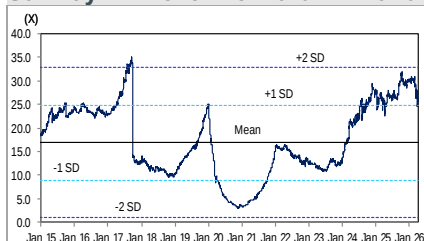
Valuation/Recommendation

- Sunway: Upgrade to BUY with an unchanged target price of RM5.62.** Our target price is based on SOTP valuation with a 5% conglomerate discount, which implies 30x 2026F PE and 26x 2027F PE (+2SD above its five-year mean of 15.6x) and 2.3x 2026F P/B (+2SD above its 10-year mean of 1.2x). We upgrade from HOLD to BUY on recent share price weakness. Overall, we like Sunway for its multifaceted strengths: a) long-term earnings visibility secured through sizeable landbank replenishment near transit-oriented developments and the recent acquisition of MCL Holdings in Singapore, b) multi-year earnings growth on record-high sales in 2024-25 and consistent orderbook replenishment, and c) growing medical tourism due to Visit Malaysia Year 2026.
- IJM: Maintain BUY with a lower target price of RM2.60,** imputing a higher SOTP discount of 20% as we return to pre-VTO valuations. We also trim FY26/27/28 earnings by 5%/7%/4% respectively, imputing lower construction margins following the disruptions caused by the Middle East conflict leading to higher construction costs. However, despite our lower target price, we still see value in IJM at current prices with our revised target price representing a 10% upside.

Sector Catalyst/Risk

- Key sector risks:** a) Unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) delayed awards of key projects following cost spikes.

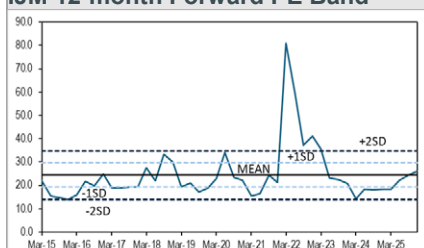
Sunway 12-month Forward PE Band



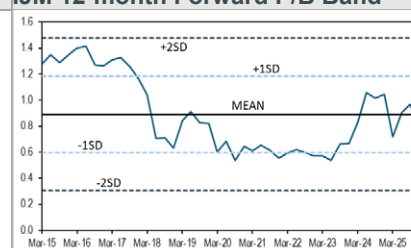
Sunway 12-month Forward P/B Band



IJM 12-month Forward PE Band

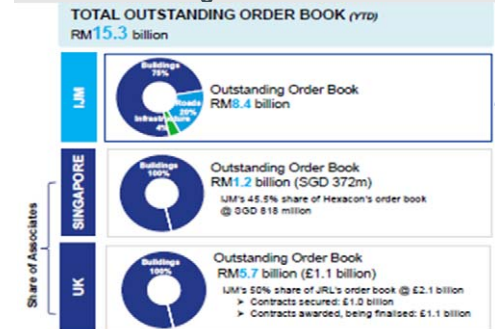


IJM 12-month Forward P/B Band



Source: Bloomberg

IJM: Outstanding Orderbook



Source: IJM

IJM SOTP Valuation

	Value (RMm)	Remarks
Construction	3,324	18x FY27F PE
Industry	3,294	15x FY27F PE
Infrastructure assets	3,529	Cost of equity 8%
Property	2,059	50% discount to RNAV
Other Investments	583	
Less: Net debt	-1,467	End-FY25
Total SOTP value	11,322	
Enlarged sharebase	3,507	
FD SOTP/share	3.23	
Discount	20%	
Fair value/share (RM)	2.60	
Implied FY27F PE (x)	23.2	

Source: UOB Kay Hian

IJM Scenario Analysis

Outcome	Share Price (RM)	Discount to SOTP
Share price reaches pre-VTO target valuations	2.60	20%
Reversion-to-mean valuations	2.10	35%
Price drops to 52-week trough	1.83	42%

Source: UOB Kay Hian

Sunway SOTP Valuation

Segment	(RMm)	Remarks
Property development	14,234	5% discount to property RNAV
REIT (40.9%)	3,921	Based on TP of RM2.80
Construction (53.2%)	5,207	Based on TP of RM7.4, 22x 2026F PE
Quarry & building materials	413	15x PE 2026F
Trading	1,698	15x PE 2026F
Investment	3,390	Market Value
Properties		
Healthcare (69.5%)	11,418	25x EV/EBITDA 2026F
Less: Holding co (debt)/ cash	-292	
Total SOTP value	39,989	
Enlarged share base (m)	6,760	
Discount	5.0%	
Target Price (RM)	5.62	

Source: UOB Kay Hian

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link:
<https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc> or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."